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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 002351

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TAGS: [ECON](#) [ETRD](#) [PGOV](#) [PREL](#) [TW](#) [CH](#)
SUBJECT: MA ECONOMIC PLAN ADDRESSES IMPLICATIONS OF
CROSS-STRAIT ECONOMIC OPENING

REF: A. TAIPEI 2283

[1](#)B. TAIPEI 2193

TAIPEI 00002351 001.2 OF 002

Classified By: Robert S. Wang, Acting AIT Director, for reasons 1.4 (b)
and (d).

[1](#)1. (U) This cable is one in a series on the Taiwan
presidential candidates' economic policies and advisors.

[1](#)2. (C) SUMMARY. In an October 16 meeting with AIT economic
chief, KMT Legislative Yuan (LY) member Su Chi said he is
advising presidential candidate Ma Ying-jeou on how to
address the practical ramifications of increased economic
integration with China, including immigration, law
enforcement, and product safety. Su espoused the Ma
campaign's standard line of combining revived domestic demand
with greater economic openness (reftels), but also noted the
importance of maintaining a degree of separation between
Taiwan and China. He cited development of higher value-added
industries as the key to Taiwan's economic future. END
SUMMARY.

[1](#)3. (C) KMT legislator Su Chi told AIT that there is broad
internal KMT consensus on a campaign strategy that would
increase Taiwan's economic openness to China and the rest of
the world, while at the same time stimulate domestic demand
and encourage the economy's shift into higher value-added
industries. Taiwan should focus on developing its service
sector, he argued, and leave most manufacturing to the
Mainland and other low-wage economies. Within the Ma
presidential campaign, Su, who previously served as Mainland
Affairs Council (MAC) Chairman, said that he is responsible
for examining the possible negative effects of greater
economic integration with China. "We agree with the DPP that
we should protect ourselves from the possible ramifications
of opening up" to the Mainland, he observed. Su cited
illegal immigration, law enforcement/crime, labor, food and
product safety, information protection, and piracy in the
Taiwan Strait as among the most important policy areas he is

now examining. In his view, Taiwan and China must work out "sub-systems" to manage the practical aspects of cross-Strait economic interaction. Compared with the Mainland, explained Su, Taiwan is smaller, less corrupt, and more reliant on the rule of law, and Taiwan must develop measures that would "segregate" the two societies even as economic exchange continues to grow. "We need opening that doesn't lead to chaos," he concluded.

14. (C) In Su's analysis, Taiwan's relative economic importance to the PRC is declining, but Taiwan maintains the ability to "pull the nerves of their (i.e., the Chinese government's) internal power struggle." By Su's reckoning, China's past efforts to foster unification with Taiwan have only backfired and bolstered the island's pro-independence forces. The PRC has now realized the value of maintaining the cross-Strait status quo, he said, and will likely be content to continue doing so for the next one-to-three years.

15. (C) Su believes that jobs and wages are the primary economic concern of Taiwan voters. He cautioned foreign observers against merely pointing to Taiwan's GDP growth figure (note: now at 4.58%) as proof of the economy's strength, maintaining that statistics do not reflect what he characterized as stagnant wages in many sectors, weak domestic investment, and the continued migration of population to the Mainland in search of economic opportunity.

According to Su, perceived competence on economic issues will be the KMT's trump card during the legislative and presidential elections.

16. (C) In Su's view, income disparity and social inequality are growing problems in Taiwan. He decried what he saw as a Taiwan cultural tendency on emphasizing short-term profit over long-term investment and development. Taiwan's technology sector, for example, is based on "downstream"

TAIPEI 00002351 002.2 OF 002

products with relatively low profit margins. Taiwan, he complained, is weak in branding and research and development.

He attributed the problem in part to what he described as Taiwan residents' traditional "immigrant" behavior and comparatively shallow "roots" on the island. This cultural propensity has made Taiwan's economy flexible and adaptable, he argued, but is hampering long-term investment and development of high value-added industries. Su stated that stimulating domestic demand, including attracting Taiwan residents back from the Mainland, will be a key factor in boosting economic growth.

17. (C) COMMENT. A senior KMT legislator focused primarily on defense and political issues, Su Chi also appears to be advising Ma Ying-jeou on "big picture" economic policy, with an emphasis on addressing the implications of economic opening to the Mainland. His comments on economic openness and stimulating domestic demand were squarely in line with what we've heard from other KMT advisors. END COMMENT.

WANG